Wire: BLOOMBERG News (BN) Date: Jul 10 2007 11:10:11
S&P May Cut $12 Billion of Subprime Mortgage Bonds (Update3)

(Adds market reaction in third paragraph.)

By Mark Pittman

July 10 (Bloomberg) -- Standard & Poor's may cut the credit ratings on $12 billion of bonds backed by subprime mortgages, a move that may force investors to dump the securities and exacerbate losses at hedge funds and securities firms.

Ratings of 612 pieces of residential mortgage-backed securities were placed on CreditWatch with negative implications, New York-based S&P said today in a statement. The bonds represent 2.1 percent of the $565.3 billion of similar bonds rated by S&P.

Some investors are required to sell their bonds if they are downgraded, potentially driving down prices of $800 billion in subprime mortgages and $1 trillion of collateralized debt obligations, which package mortgage bonds into new securities. The announcement triggered the biggest rise in U.S. Treasuries in more than a week and prompted the U.S. dollar to fall to a record against the euro. Shares of securities firms tumbled and an index tracking the performance of mortgage-bonds dropped to a new low.

``S&P's actions are going to force a lot more people to come to Jesus,'' said Christopher Whalen, an analyst at Institutional Risk Analytics in Hawthorne, California. ``When a ratings agency puts a whole class on watch, it will force all the credit officers to get off their butts and reevaluate everything. This could be one of the triggers we've been waiting for.''

S&P said it is also reviewing the ``global universe'' of CDOs that contain subprime mortgages. Investors in CDOs alone stand to lose as much as $250 billion, according to Institutional Risk Analytics, which writes computer programs for accounting firms.

Continued Declines

``We expect that the U.S. housing market, especially the subprime sector, will continue to decline before it improves, and home prices will continue to come under stress,'' S&P said. ``Weakness in the property markets continues to exacerbate losses, with little prospect for improvement in the near term.''

An index of credit-default swaps linked with 20 securities rated BBB- and created in the second half of 2006 fell 9.5 percent this morning to a new low of 50.25, according to New York-based derivatives broker GFI Group Inc. The ABX-HE-BBB- 07-1 index has fallen by nearly half since January, reflecting growing expectations of defaults on the bonds.

Investors have criticized S&P, Moody's Investors Service and Fitch Ratings because their ratings on bonds backed by mortgages to people with poor or limited credit don't reflect the fastest default rate in a decade. Prices of some bonds backed by subprime mortgages have declined by more than 50 cents on the dollar in the past few months while their credit ratings haven't changed.

Almost 65 percent of the bonds in indexes that track subprime mortgage debt don't meet the S&P ratings criteria in place when they were sold, according to data compiled by Bloomberg.

New Ratings Method

S&P said it also plans to change the methods it uses to rate existing and new mortgage bonds to reflect the increased likelihood of mortgage defaults and losses.

``We do not foresee the poor performance abating,'' S&P said. ``Loss rates, which are being fueled by shifting patterns in loss behavior and further evidence of lower underwriting standards and misrepresentations in the mortgage market, remain in excess of historical precedents and our initial assumptions.''

While most of the securities being reviewed by S&P have ratings of BBB+, BBB, or BBB-, the lowest-investment grade, some were rated as high as AA.

`Sufficient Seasoning'

S&P said it will reassess ratings and seek higher protection for investors on bond classes that rank directly above any security it downgrades, a change in practice.

S&P spokesman Chris Atkins declined comment prior to the teleconference.

In response to the investor criticism, executives at S&P, Moody's and Fitch had said last month that they were waiting until foreclosure sales of homes proved that the collateral backing the bonds has declined enough to create losses.

Many bonds issued in late 2005 and most of 2006 now have ``sufficient seasoning'' to show delinquency, default and loss trends that indicated ``weak future credit performance,'' S&P said today.

New Century

``If you look at where the market was trading these bonds, they weren't trading like BBB bonds,'' said David Land, a portfolio manager in St. Paul, Minnesota at Advantus Capital Management, which owns $783 million of mortgage bonds.

Many of the bonds S&P is reviewing were made up of loans originated by New Century Financial Corp., which filed for bankruptcy protection in April, and Fremont General Corp., which federal regulators forced from the subprime-loan business in March.

The latest data reveals that delinquencies and foreclosures are increasing for bonds issued in 2006, S&P said, with total losses on all subprime transactions issued since the fourth quarter of 2005 is 0.29 percentage point, compared with .07 percentage point for similar transactions from 2000, which until now had been the worst performing this decade.

S&P also said doubt had been cast over some data it used

REUTERS

factiva. From DOW JONES

UPDATE 6-S&P, Moody's eye $17.3 bln in subprime rating cuts

07/10/07 13:03

Reuters News

(Recasts lead, adds Moody's in 2nd paragraph, updates market reaction)

NEW YORK, July 10 (Reuters) - Two leading rating agencies on Tuesday started to slash ratings for more than $17.3 billion of mortgage-related debt, rattling global financial markets amid fears that growing problems in the risky subprime market could spread to the wider economy.

Standard & Poor's said it may cut ratings on $12.1 billion of mortgage-related debt as soon as this week on expectations for an 8 percent drop in U.S. home prices and more mortgage defaults.

Rival Moody's Investors Service said it cut ratings of 399 mortgage-backed securities and may cut ratings of another 32, affecting a total of $5.2 billion in debt. For details, click on [ID:nWNA2449]

"This subprime situation is being underestimated and is worse than many people had expected," said Thomas Metzold, a portfolio manager at Eaton Vance in Boston. "Investment managers' exposure to this is greater than they say and they will get less recovery than they expect."

S&P conceded that it failed to see the extent of losses when originally rating the debt, which include 612 residential mortgage securities. The agency said it is overhauling its methodology and reviewing its ratings of the $1 trillion market for debt structures known as collateralized debt obligations, or CDOs.

The changes by S&P, the credit-rating unit of McGraw-Hill Cos. , comes on the heels of increasing troubles in the subprime mortgage market that caters to borrowers with spotty credit histories.

The news spooked investors, driving them away from financial stocks and other riskier investments and into the safety of U.S. government bonds.

S&P's index of financial shares <.GSPF> fell more than 2 percent, its lowest level in almost three months.

The Dow Jones industrial average <.DJI> closed down 148.3 points at 13,501.70. Benchmark Treasury yields dropped to their lowest levels in a week. The dollar weakened to a record low against the euro , while a benchmark subprime index dipped to another record low.

"Beginning in the next few days, we expect that the majority of the ratings on the classes that have been placed on CreditWatch negative will be downgraded," S&P said in a statement.

S&P's projected fall in home prices would exceed the record 6.5 percent drop between 1991 and 1992, making subprime loans issued last year particularly vulnerable, David Wyss, chief economist at Standard & Poor's in New York, said in a conference call.

Because most subprime loans carry adjustable interest rates, more borrowers face trouble making payments as loans reset at higher rates. And declining home prices mean that borrowers unable to pay loans cannot solve their problems by selling their homes.

The $12.1 billion in affected debt represents 2.13 percent of the $565.3 billion U.S. subprime market.

PRETTY UGLY

"If S&P, in fact, downgrades these issues, it is an admission that they weren't appropriately rated in the first place," said Andrew Harding, chief investment officer of fixed-income at Allegiant Asset Management in Cleveland, adding the situation "is pretty ugly now."

S&P, together with Moody's and Fitch Ratings, have been criticized by some investors and government officials as being too slow to respond to the unraveling U.S. housing market, which may trigger a flood of investor lawsuits.

Ohio Attorney General Marc Dann earlier this week said that S&P, along with Fitch and Moody's, were all on his radar screen for giving top ratings to pools of subprime loans that were sold to bondholders.

STRESS TESTING

S&P may lower ratings using "stress test" models. Ratings on bonds will be cut to "CCC," in the middle tier of junk, on any class of bonds that experience a loss on principal within one year, S&P said.

Bonds will be cut to "B" on any class of bonds that has losses within 13 to 24 months, and "BB" for bonds with losses between 25 and 30 months.

S&P's Wyss also expects a 10 percent drop in housing starts. The rating company said it underestimated loss rates of the subprime loans that back CDO debt structures, and said the situation will get worse before it improves.

In another sign of housing weakness, Home Depot Inc. on Tuesday forecast a deeper profit drop for 2007. For details, click on [ID:nNL1017497].

Fitch Ratings said on June 22 that it may cut its CDO manager rating on Bear Stearns Asset Management, part of Bear Stearns Cos. , after Bear Stearns said it would provide up to $3.2 billion in financing for a struggling hedge fund it manages.

CDO EXPOSURE

CDOs are a rapidly growing class of securities created by packaging together bonds, including risky subprime loans, junk or high-yield bonds and high-grade debt, to help diversify risk.

In a separate report, S&P said on Tuesday that 13.5 percent of U.S. cash flow and hybrid CDOs it rates are exposed to subprime loan deterioration.

The rating company said 218 U.S. cash flow and hybrid CDOs have exposure to poor-performing subprime loans. European and Asian CDOs have little exposure, S&P analyst Patrice Jordan said on a conference call.

Only 20 European CDOs, or less than 1 percent of publicly rated CDOs, have exposure to U.S. subprime loans, S&P said.

(Additional reporting by John Parry, Neil Shah, Svea Herbst-Bayliss and Jennifer Ablan)

July 12, 2007 04:08 PM Eastern Daylight Time

Fitch SMARTView: 170 U.S. Subprime RMBS Transactions Placed Under Analysis

NEW YORK--(BUSINESS WIRE)--Following its monthly surveillance review, Fitch Ratings identified 170 U.S. subprime transactions among its $428 billion rated universe of subprime transactions as 'Under Analysis', indicating that Fitch will be issuing a rating action over the next several weeks. The total amount of bonds rated in the BBB category and below, which are the ones most likely to face rating actions, is $7.1 billion, representing 1.7% of Fitch's rated subprime portfolio. A total of 1,106 subprime transactions were designated with a SMARTView date of July 12, 2007 indicating that no immediate action is necessary based on Fitch's analysis of the June remittance report data.

Fitch's RMBS surveillance rating team has developed algorithms, called screeners, which it applies to every rated bond each month to identify bonds with credit risk inconsistent with current ratings. The screener logic estimates the loss coverage ratio (LCR) of the bond and determines whether the relationship is within the allowable tolerance for the bond's current rating. A description of LCRs and how Fitch uses them are discussed in detail in Fitch's report 'U.S. Subprime RMBS/HEL Upgrade/Downgrade Criteria' published June 12, 2007 which is available on our website at www.fitchratings.com.

While the LCR is the primary consideration in the credit analysis, the credit risk of subordinate bonds is particularly sensitive to the timing of the losses, not just the total amount of loss. For that reason, Fitch analysts use the screeners to monitor the relationship of the aggregate outstanding balance of loans in foreclosure and real estate owned (REO) to subordinated credit enhancement, as well as the monthly trends of collateral losses relative to excess spread and the subsequent impact on the transaction's overcollateralization amount. Transactions that have relatively high aggregate outstanding loan balances in foreclosure and REO or exhibit declining overcollateralization trends will be identified by the screener as requiring a full credit committee review and are placed 'Under Analysis.'

The July 2007 'Under Analysis' list reflects two new pieces of information. First, it incorporates the just released June performance results, which show continued negative credit trends, particularly for the late 2005 and 2006 subprime vintages. Second, it incorporates the changes that Fitch has made to its subprime loss forecasting assumptions given this additional data. These changes were made to better capture the deteriorating performance of pools from 2006 and late 2005 in the face of continued poor loan performance and home price weakness. The modifications to the assumptions included the following, which resulted in increased loss

BN IKB Says CFO Quits, Delays Results, Forms Task Force (Update4)
Aug 8 2007 13:10:43

'Proactive Measure'

IKB also announced an 80 million-euro investment in Rhinebridge Plc to ensure the solvency of the fund, which it started in June. The bank will consolidate Rhinebridge's $2.4 billion of investments, composed of securities with credit ratings of ``A'' or higher.

``We decided to consolidate Rhinebridge mainly for funding,'' Schmidt, the IKB spokesman, said in an interview. ``We hope it will be possible if times get better to issue commercial paper to fund Rhinebridge.''

In the statement, IKB called the bailout a ``proactive measure and an important contribution towards market stabilization.''

IKB said its board proposed eliminating the stock dividend at the next meeting of shareholders, which Schmidt said may be held in the fourth quarter. The meeting had been scheduled for Aug. 30.

IKB, which hasn't detailed its subprime-related investments, tried to allay concerns among investors earlier this month by stating it has enough money for the next year.

Rescue Package

KfW's rescue package would cover as much as 1 billion euros in losses at IKB itself. The rest would go toward the German bank's funding obligations to Rhineland Funding Capital Corp., a U.S.-based company that invests in and sells short-term debt backed by assets including subprime mortgages.

The Berlin-based BdB association of private banks agreed to cover as much as 500 million euros in potential losses, while the VOeB association, representing state-owned Landesbanks, the BVR association of cooperative banks and DSGV savings banks group will provide another 500 million euros under the agreement. KfW, which owns 38 percent of IKB, will provide the rest.

KfW is assuming all of IKB's obligations to Rhineland Funding, which total about 8.1 billion euros, according to a filing with the U.S. Securities and Exchange Commission.

German Economy Minister Michael Glos said today that the government should sell its stake in IKB, which it holds through KfW. The sale would only make sense after IKB has been restored financially, he added.

``We don't want to speculate about a sale of IKB,'' said KfW spokesman Alexander Mohanty. He declined to comment further.

The European Commission, the European Union executive agency, two days ago requested the German government to provide ``comprehensive'' information within 20 working days, spokeswoman Antonia Mochan said in a telephone interview today. The Brussels-based agency is assessing whether the rescue constitutes government aid, which requires EU approval to guard against distortions of competition.

--With reporting by Elena Logutenkova and Aaron Kirchfeld in Frankfurt and Rainer Buergin in Berlin and John Rega in Brussels.

CMN MHP US: Report Says SIV Ratings Are Weathering Current Marke
Aug 15 2007 9:35:24

THE MCGRAW-HILL COMPANIES ("MHP-BHDNPX")
- Report Says SIV Ratings Are Weathering Current Market
- Disruptions; 30 SIV Rtgs Maintained

Several key structural aspects of structured investment vehicles (SIVs) and the ratings analysis that go beyond a simple asset price volatility analysis have led Standard & Poor's Ratings Services to maintain its ratings on 30 SIVs (see list), according to a report issued today.

The current ratings are based on the following:

-- A review of the ratios to see how much excess capital there is for each SIV's senior rating;

-- A review of the reports for the simulation and model output that demonstrates the ability of the mezzanine and capital noteholders to be repaid consistent with their outstanding ratings;

-- The structure that provides for liquidity support to enable better decision-making regarding asset management;

-- The structure that provides for the management of CP maturities to be spread out over multiple months;

-- The structure that provides for an orderly liquidation over multiple months and years, if it becomes necessary;

-- The asset market value analysis that considers the history that goes back over the history of multiple stressed conditions in the market;

-- Asset assumptions that already consider the possibility that the ratings transition could be more stressed than that observed in history; and

-- A review of all current NAVs, which demonstrates that even in a scenario where market values remain volatile and the SIVs would have to liquidate assets, there remains sufficient asset value to repay all senior liabilities and still retain excess capital.

"We are reviewing reports on a daily and weekly basis and, thus far, all SIVs are passing their tests. In addition, we have been looking at net asset value to capital rations and portfolio concentrations to further evaluate each SIV," said credit analyst Nik Khakee, a managing director in Standard & Poor's Structured Finance group. "Given that SIVs are structured so they don't have to liquidate immediately due to the liability profile and are structured with liquidity facilities to address market disruptions, we believe that the structure, in conjunction with the actual portfolio level detail, enable us to maintain these ratings and communicate to the market that we will provide updates if and as appropriate."

SIVs, which are structured to be bankruptcy-remote, have been in existence in the U.S. and European debt markets since 1988. These entities generate returns for investors by taking exposure to long-term securities and funding these assets by issuing a mix of short-term debt or CP and medium-term notes. The SIV manager seeks to optimize the mismatch between asset returns and the cost of funding, while providing stable returns to

BN Fitch May Cut Rhinebridge Ratings on Commercial Paper Concerns
Aug 22 2007 8:22:01

By Neil Unmack

Aug. 22 (Bloomberg) -- Fitch Ratings may cut the credit rankings on $2.38 billion of debt sold by Rhinebridge Plc, an investment company run by IKB Deutsche Industriebank AG, because of the tumult in the commercial paper market.

Fitch today placed Rhinebridge debt on ``Watch Negative'' because the so-called structured investment vehicle may have to sell assets to secure continued funding, the ratings firm said in a report.

Fitch grades Rhinebridge's short-term debt F1+, its highest rating. Dusseldorf-based IKB, which is being bailed out by the German government because of subprime mortgage losses, on Aug. 8 had its credit rankings cut for a second time in two weeks by Fitch.

``In light of uncertainty in Rhinebridge's ability to secure continued funding in the CP market, collateral liquidation proceeds may be required to meet maturing liabilities,'' the report said.

Rhinebridge issues short-term debt to invest in longer-dated bonds. About 16 percent of the company's assets are collateralized debt obligations, which package other securities, and 80 percent are bonds backed by residential mortgages, Fitch said.

--Editor: Shanahan (pja)

To contact the reporter on this story:
Neil Unmack in London at +44 20 7073 3913 or
nunmack@bloomberg.net

To contact the editor responsible for this story:
Gavin Serkin in London at +44-20-7673-2467 or
gserkin@bloomberg.net

[TAGINFO]

IKB GR <Equity> CN

NI GERMANY
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NI BON
NI DRV
NI HEDGE
NI REL
NI SUBPRIME
NI EUCORPFIN
NI CDRV
NI CP

BN Rhinebridge Sells Assets, Says It Can't Rely on IKB (Update1)
Aug 28 2007 11:30:03

(Adds enforcement event in fifth paragraph).

By Sebastian Boyd and Neil Unmack

Aug. 28 (Bloomberg) -- Rhinebridge Plc, a debt fund managed by IKB Deutsche Industriebank, sold $176 million of assets this week to raise cash and said it doesn't expect support from the German bank amid a slump in global credit markets.

``Asset prices continue to weaken based on the fact that there are mainly sellers, in many cases, forced sellers,'' Rhinebridge said today in a statement on Regulatory News Service.

Rhinebridge has struggled to finance itself after investors refused to buy its asset-backed commercial paper, short-term IOUs secured by debt including U.S. subprime mortgages. Until now it has been supported by Dusseldorf-based IKB, which got emergency funding from German-government owned agency KfW because of fallout from the rout in subprime debt.

By selling assets, Rhinebridge may breach conditions imposed to make sure it has sufficient money to pay its debts, the fund said. That may mean it's taken over by a trustee to help ensure creditors are paid, according to a prospectus for the fund dated June 27, 2007.

``As we have to de-lever the portfolio, our ability to avoid test breaches becomes more limited, especially if there is no funding available to Rhinebridge Plc,'' the Dublin-based fund said. ``This could lead, in rapid steps, to an enforcement event.''

Outlook Lowered

Fitch Ratings said on Aug. 22 it may cut the credit rankings on Rhinebridge's $2.38 billion of debt. The fund, which had a maximum size of $23 billion, invested in collateralized debt obligations and asset-backed securities.

As of last week, 79 percent of its holdings were in the U.S. and 80 percent in mortgage-backed bonds, according to Fitch. 83 percent of its assets had the highest-possible AAA rating, Fitch said.

Moody's Investors Service, Standard & Poor's and Fitch Ratings gave some of the fund's debt the highest-possible credit rankings.

The fund is a structured investment vehicle. SIVs aim to make money by borrowing in the commercial paper markets and investing in longer-dated bonds, usually asset-backed securities and bonds sold by banks.

Structured investment vehicles and similar funds manage $395 billion of assets, according to a Moody's report in July.

--Editor: Reierson (mes).

To contact the reporters on this story:
Sebastian Boyd in London at +44-20-7673-2075
sboyd9@bloomberg.net;

FII Fitch Dwgrs Rhinebridge's CP, MTNs and Cap Nts; All on Watch Neg
Sep 10 2007 18:00:32

FITCH DOWNGRADES RHINEBRIDGE'S CP, MTNS AND CAPITAL NOTES; ALL REMAIN ON WATCH NEGATIVE

Fitch Ratings-London-10 September 2007: Fitch has today downgraded Rhinebridge Plc's US & Euro CP, US & Euro Medium Term Notes (MTNs), Senior, Mezzanine and Combo Capital Notes. Approximately USD1,200m US CP, USD575m Euro CP, USD120m Senior Capital Notes and USD130m mezzanine capital notes are affected. All notes were previously on Rating Watch Negative and remain on Rating Watch Negative.

The following downgrades for Rhinebridge Plc and Rhinebridge LLC programmes have occurred:

--US commercial paper ("CP"): Downgraded from 'F1+' to 'F3';

--US medium-term note ("MTN"): Downgraded from 'AAA' to 'BBB-';

--Euro CP: Downgraded from 'F1+' to 'F3';

--Euro MTN: Downgraded from 'AAA' to 'BBB-';

--Senior capital notes: Downgraded from 'AAA' to 'B';

--Combo capital notes: Downgraded from 'BBB' to 'CCC-';

--Mezzanine capital notes: Downgraded from 'B' to 'CCC-'.

Rhinebridge is a structured investment vehicle ("SIV") managed by IKB Credit Asset Management GmbH ("IKB CAM"), London branch, which takes leveraged credit risk by investing in a diversified portfolio of highly rated assets through issuing a mix of commercial paper (CP) and capital notes.

The rating action is based on:

--Rhinebridge breaching an NCO liquidity trigger on 7th September;

--The increased likelihood of a restricted funding event or an enforcement event occurring in the very near future;

--the unknown direction the security trustee may follow should an enforcement event occur;

--the likelihood of increased market value losses materialising in the Rhinebridge portfolio in any forced sale scenario;

--the continuing inability of Rhinebridge to access the CP market to refinance maturing CP; and

--losses realised upon the continued sale of assets to meet maturing CP.

BMP Moody's ABCP rating actions ending September 17, 2007
Sep 20 2007 18:07:08

New York
Everett Rutan
Senior Vice President
Structured Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Jesse DeSalvo
Senior Associate
Structured Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Moody's ABCP rating actions ending September 17, 2007

New York, September 20, 2007 -- Moody's ABCP rating actions for the seven-day period ended September 17, 2007

MOODY'S PLACES THE RATINGS OF RHINEBRIDGE ON WATCH FOR POSSIBLE DOWNGRADE

In London, Moody's has placed the ratings of the commercial paper and medium term note (MTN) programmes of Rhinebridge PLC and Rhinebridge LLC ("Rhinebridge") on review for possible downgrade. The rating action took place on September 17, 2007. The subordinated debt issued by Rhinebridge was previously placed on review for possible downgrade on September 5, 2007.

Complete rating action:

(i) Prime-1 ratings of the Euro commercial paper programme and the U.S. commercial paper programme placed on review for possible downgrade; and

(ii) Prime-1 and Aaa ratings of the Euro MTN programme and the U.S. Medium Term Note programme placed on review for possible downgrade.

Moody's rating action reflects the further deterioration of the market value of Rhinebridge's portfolio since placing the subordinated debt on review, its continuous inability to fund as well as a breach of its net cumulative outflow (liquidity) test. Moody's notes, however, that the quality of the asset portfolio remains high, with a weighted average rating of Aa1.

Rhinebridge is a structured investment vehicle managed by IKB Credit Asset Management GmbH, London Branch, and administered by QSR Management Limited. Rhinebridge invests in a diversified portfolio of eligible investment grade assets funded by the proceeds of the CP, the MTNs, the senior capital notes, mezzanine capital notes and junior capital notes.

For further details, please see Moody's press releases dated September 17, 2007.

BN Fitch Warns of SIV Downgrades, May Change Approach (Update3)
Sep 19 2007 17:25:06

(Adds Sachsen in seventh paragraph)

By Neil Unmack

Sept. 19 (Bloomberg) -- Fitch Ratings warned of more downgrades for structured investment vehicles, funds that sell short-term debt to buy longer-term assets, and said it may change the way it rates the companies.

``The continued commercial paper market disruption and further market value declines may warrant further rating action,'' Stefan Bund, a managing director at Fitch in London, said on a conference call today.

SIVs have struggled to sell short-term debt as lenders refuse to provide credit on investor concerns that the securities include assets backed by U.S. subprime mortgages. The seizing up of the commercial-paper market forced some SIVs to sell holdings to repay maturing debt.

Fitch may change the way it rates the funds, including revising how asset losses are valued when a SIV breaches rules designed to ensure it has sufficient money, Bund said. When that happens, known as an enforcement event, the SIV is taken over by a trustee to help make sure creditors are paid.

``We will revisit our SIV rating methodology, particularly with regards to market value decline assumptions in an enforcement event,'' Bund said. ``However, it is too early to say how such a change may look.''

Moody's Investors Service earlier this month changed the way it rates SIVs. The ratings company made its assumptions about expected losses more stringent by taking into account recent bond price volatility.

Ratings Cut

German state-owned Landesbank Baden-Wuerttemberg today said it may lend money to prop up a $2.2 billion SIV run by Landesbank Sachsen Girozentrale, the bank it agreed to buy less than a month ago. The financing will help the SIV avoid a forced sale of its assets to repay maturing debt, Leipzig, Germany-based SachsenLB said.

In the past month, Fitch cut ratings on debt sold by two SIVs including Rhinebridge Plc, operated by IKB Deutsche Industriebank in Dusseldorf, and Axon Financial Services's Axon Financial Funding Plc.

``The lowest pressure will be on SIVs with little to no U.S. subprime mortgage exposure'' or funds with relatively long liabilities and ``strong'' bank sponsors, Bund said.

The average maturity of debt sold by SIVs is 0.8 years, Bund said. That compares with a weighted average life of 3.5 to 4.5 years for assets held by all SIVs.

--Editor: Reierson (grs/ekm)

To contact the reporters on this story:

BN Rhinebridge Ratings Cut by Standard & Poor's After Asset Sales
Oct 16 2007 17:55:33

By Mark Pittman

Oct. 16 (Bloomberg) -- Rhinebridge Plc, forced to sell assets after being shut out of the commercial paper market, had its credit ratings lowered by Standard & Poor's.

The downgrade affects $921 million of commercial paper and mezzanine capital notes issued by Rhinebridge Plc and Rhinebridge LLC, both structured investment vehicles managed by IKB Deutsche Industriebank, S&P said today in a statement.

``Today's rating actions reflect the recent sharp decline in some assets, which led to a significant decrease in Rhinebridge's net asset value,'' S&P said in the statement. That may lead to an acceleration of asset sales, S&P said.

The company's commercial paper was cut to A1 from A1+, its medium term notes were reduced to A+ from AAA and the mezzanine capital notes were lowered to CCC+ from BB-.

Two IKB executives, Frank Braunsfeld and Markus Guthoff yesterday left the German lender, which had to be bailed out by KfW Group after incurring losses on subprime mortgage securities.

IKB said its loss for the current financial year will increase to about 500 million euros ($710 million) from the originally expected 450 million euros, according to German generally accepted accounting principals because of higher than anticipated restructuring costs.

--Editor: Moody

To contact the reporters on this story:
Mark Pittman at +1-212-617-3767 or mpittman@bloomberg.net

To contact the editor responsible for this story:
Emma Moody at +1-212-617-3504 or emoody@bloomberg.net

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IKB GR <Equity> CN

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NI CORPFIN
NI COR
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NI FINANCEME
NI EUFINANCE

BN Rhinebridge Commercial Paper SIV Says May Be Unable to Pay Debt
Oct 18 2007 14:36:21

By Neil Unmack

Oct. 18 (Bloomberg) -- Rhinebridge Plc, a structured investment vehicle run by IKB Deutsche Industriebank AG, said it may not be able to pay back debt related to $23 billion in commercial paper programs.

Rhinebridge suffered a ``mandatory acceleration event'' after IKB's asset management arm determined the SIV may be unable to repay debt coming due, the Dublin-based fund said in a Regulatory News Service release. A mandatory acceleration event means all of the SIV's debt is now due, according to the company's prospectus.

Rhinebridge, which was forced to sell assets after being shut out of the commercial paper market, said it must now appoint a trustee to ensure that the interests of all secured bondholders are protected.

``The manager has been in contact with the security trustee to discuss the occurrence of the enforcement event and the mandatory acceleration event, and further information will be provided to investors in due course,'' the company said.

Rhinebridge was set up by IKB in June to sell short-term commercial paper to invest in securities with longer maturities and higher yields, including mortgage-backed debt.

SIVs worldwide have been forced to sell about $75 billion of assets in the past two months to repay maturing debt as investors balked at buying securities linked to money-losing subprime mortgages. SIVs have different operating states to protect investors and allow the fund time to recover from a market slump. Enforcement is typically the last state, and is irreversible.

Dusseldorf-based IKB had to be bailed out this year by a group led by German state-owned KfW Group because of potential losses related to subprime loans.

--Editor: Bostick

To contact the reporter on this story:
Neil Unmack in London at +44 20 7073 3913 or
nunmack@bloomberg.net

To contact the editor responsible for this story:
Gavin Serkin in London at +44-20-7673-2467 or
gserkin@bloomberg.net

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NI BON
NI DRV

BN Rhinebridge SIV's Commercial Paper Investors to Recover 55%
Aug 6 2008 12:53:17

By Neil Unmack

Aug. 6 (Bloomberg) -- Investors in the commercial paper of Rhinebridge Plc, a structured investment vehicle that defaulted last year, will recover 55 percent of the amount owed to them, receivers at Deloitte & Touche LLP said.

Investors in the SIV, set up by IKB Deutsche Industriebank AG in Dusseldorf, will receive $351 million from a sale of the company's assets, as well as a future $14 million distribution from cash held in the company, Deloitte said in a statement today.

Deloitte held an auction of the company's assets last week and transferred the rest to Goldman Sachs Group Inc. or other senior investors, the firm said. The sale didn't recover enough to make any payment to the SIV's junior ranking creditors, Deloitte said.

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--Editor: Gavin Serkin, Paul Armstrong

To contact the reporter on this story:
Neil Unmack in London +44-20-7073-3913 or nunmack@bloomberg.net
To contact the editor responsible for this story:
Gavin Serkin at +44-20-7673-2467 or gserkin@bloomberg.net

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EXHIBIT E

The damage to the $1 trillion CDO market could freeze what has been a large source of liquidity for the credit markets, Tim Backshall, chief strategist at Credit Derivatives Research LLC, said yesterday.

June 28

Fitch has taken the following actions on classes from Countrywide Asset-Backed Securitizations (CWABS) series 2006-SPS1

June 20

Merrill Lynch seized $800 million in assets from two Bear Stearns hedge funds that were involved in securities backed by subprime loans. Bear Stearns pledged a collateralized loan of up to $3.2 billion to "bail out" one of its funds, the Bear Steams High-Grade Structured Credit Fund, while negotiating with other banks to loan money against collateral to another fund, the Bear Stearns High-Grade Structured Credit Enhanced Leveraged Fund. The funds were invested in thinly traded collateralized debt obligations found to be worth less than their mark-to-model value

July 1

Investors in two Bear Stearns hedge funds will have to wait until as late as July 16 to learn how much money they have lost.

The Wall Street firm has had difficulty calculating the funds' fair value, apparently because many of the mortgage-related securities they hold are thinly traded and the market for them has been volatile.

Investors are watching the process closely because they believe that other hedge funds also are holding thinly traded mortgage-related securities, and they want to see how far Bear thinks their value has fallen.

July 10

S&P today said that its U.S. and European asset-backed commercial paper (ABCP) conduit and structured investment vehicle (SIV) ratings are not expected to be adversely affected by the CreditWatch actions taken earlier today on U.S. residential-mortgage backed securities (RMBS).

Moody's today announced negative rating actions on 431 securities originated in 2006 and backed by subprime first lien mortgage loans. The negative rating actions affect securities with an original face value of over $5.2 billion, representing 1.2% of the dollar volume and 6.8% of the securities rated by Moody's in 2006 that were backed by subprime first lien loans.

Of the 431 rating actions taken today, Moody's downgraded 399 securities and placed an additional 32 securities on review for possible downgrade. One of the downgraded securities remains on review for possible further downgrade. The vast majority of rating actions taken today impacted securities originally rated Baa or lower.

CreditWatch actions affecting 612 classes of RMBS backed by first-lien subprime mortgage collateral. 498 classes were downgraded, 26 classes remain on CreditWatch, and the ratings on 74 classes were affirmed and removed from CreditWatch.

Of the 612 classes placed on CreditWatch on July 10, 2007, the 498 downgraded classes total approximately $5.69 billion in rated securities, which represents 1.01% of the $565.3 billion in U.S. RMBS first-lien subprime mortgage collateral rated by S&P between the fourth quarter of 2005 and the fourth quarter of 2006.

Moody's said yesterday it may cut its credit ratings on slices of 91 collateralized-debt obligations, or about $5 billion of securities. It is a small percentage of the overall CDO market, but still an important development, because it is a signal that subprime fallout is rippling through financial markets to an important class of investments.

July 11

S&P: 612 U.S. Subprime RMBS Classes Put On Watch Neg; Methodology Revisions Announced

Ohio Attorney General Marc Dann talks with Bloomberg's Brian Sullivan from Columbus about the Ohio's investigation of credit-rating agencies and mortgage brokers, the state's anti-predatory lending statute, and the relationship between credit-rating agencies and investment banks.

July 12

Following its monthly surveillance review, Fitch identified 170 U.S. subprime transactions among its $428 billion rated universe of subprime transactions as 'Under Analysis', indicating that Fitch will be issuing a rating action over the next several weeks. The total amount of bonds rated in the BBB category and below, which are the ones most likely to face rating actions, is $7.1 billion, representing 1.7% of Fitch's rated subprime portfolio.

July 16

Goldman Sachs, JPMorgan and the rest of Wall Street are stuck with at least $11 billion of loans and bonds they can't readily sell.

ACA Capital Holdings Inc. ... disclosed that it could lose money on contracts tied to $4.5 billion of subprime mortgage securities from 2006 and 2007.

ACA wrote contracts that represented AAA rated pieces of so-called collateralized debt obligations made up of derivative versions of subprime bonds. CDOs package securities such as mortgage bonds, then parcel them out to investors in different slices with different credit ratings. It was part of $15.3 billion total to CDOs of mortgage bonds. ACA also wrote contracts on $400 million in exposure to a CDO of CDO bonds, compared with $911 million of adjusted book value.

ACA was the eighth-largest manager of CDOs made up of asset-backed debt or related derivatives on Dec. 31, overseeing 12 vehicles that had issued $10.4 billion in securities, according to S&P. Moody's said July 11 that it may cut $5 billion of such securities; the firm and rival S&P last week downgraded billions of the underlying bonds.

Hedge funds instead use mathematical models of their own to estimate and report the value of their CDO holdings to investors -- a practice known as "marking to model."

Recent troubles at hedge funds run by Bear Stearns, Braddock Financial Corp. and United Capital Markets have highlighted the problems inherent in that approach. Even so, fund managers are resisting market views on the value of subprime assets and continuing to "mark to model," claiming declines represent short-term volatility.

July 17

Moody's has placed under review for possible downgrade thirteen tranches from eight deals issued by Bear Stearns in 2006. The collateral backing these classes consists of primarily first lien, fixed and adjustable-rate, Alt-A mortgage loans.

The assets in Bear's more levered fund, the High-Grade Structured Credit Strategies Enhanced Leverage Fund, are worth virtually nothing, according to people familiar with the matter. The assets in the other larger, less-levered fund are worth roughly 9% of the value since the end of April, these people said. The April valuations weren't immediately available but in March, before their sharp losses, the enhanced leverage fund had $638 million in investor money, while the other fund had $925 million.

July 18

JP Morgan Chief Executive Officer Jamie Dimon said demand for leveraged buyout debt is drying up and banks may be left holding more loans that they can't sell.

July 19

S&P today lowered its credit ratings on 418 classes of U.S. residential mortgage-backed securities (RMBS) backed by U.S. closed-end second-lien mortgage collateral issued from the be ginning of January 2005 through the end of January 2007. The affected 418 downgraded classes had an original total balance of approximately $3.8 billion, which represents 6.1%

of the approximately $62 billion in U.S. RMBS backed by closed-end second-lien collateral rated by S&P from the beginning of January 2005 through the end of January 2007

S&P today lowered its ratings on 93 tranches from 75 U.S. synthetic collateralized debt obligation of asset-backed securities (CDO of ABS) transactions.

July 20

IKB AG, a German lender that focuses on small and medium-sized companies, said fiscal first-quarter operating profit rose 15 percent as it attracted new business. ``Moody's analysis of this segment released last week does not have any impact on IKB's investments in international loan portfolios,''

Fitch has affirmed ($2.383 billion) and downgraded/placed on watch negative ($32.2 million) a handful of classes of seven SASCO/Lehman RMBS

Citigroup Inc. is bracing for the possibility that it will get stuck holding more leveraged loans for corporate buyouts ... On four deals in the second quarter, Citigroup was unable to sell debt to investors, leaving the world's biggest bank and its peers holding so-called bridge loans on their balance sheets.

July 23

More hedge funds are being hit by the slump in the U.S. subprime mortgage market, the Wall Street Journal reported, citing letters sent to investors and people close to the situation. Y2K Finance Inc., a $2 billion London hedge fund run by Wharton Asset Management, said its investments dropped 7.3 percent in June, U.S.-based Stone Tower Credit Fund's portfolio lost 1.2 percent of its value in June, while Old Hill Partners Inc., also U.S.-based, lost 8.2 percent this year through May, the newspaper said.

Structured Investment Vehicles (SIVs), high-grade, highly diversified structured credit vehicles, have key features that should enable their ratings to remain stable at this time of turbulence in the US sub-prime housing market, says Moody's in a new report.

Wells Fargo on Monday said it stopped offering a popular subprime mortgage product in response to market and regulatory pressure.

The company in an e-mail said it ended on Friday retail offerings of so-called 2/28 loans, which at 65 percent of all subprime mortgages last year are the staple of the industry

Moody's cut 22 CSFB Home Equity Asset Trust securities on Monday while placing 32 other classes under review for downgrade, citing an increasing rate of delinquent loans

S&P on Monday said it may cut $1.76 billion in collateralized debt obligations backed by asset backed debt, citing exposure to residential mortgages that have undergone downgrades.

Sales of the securities -- used to pool bonds, loans and their derivatives into new debt -- dwindled to $3.7 billion in the U.S. this month from $42 billion in June, analysts at New York-based JP Morgan said. The market is ``virtually shut,'' the bank said in a July 13 report

July24

The Wall Street money-machine known as collateralized debt obligations is grinding to a halt, imperiling $8.6 billion in annual underwriting fees and reducing credit for everyone from buyout king Henry Kravis to homeowners.

July 25

The credit market rout caused by the slump in U.S. subprime loans gives ``serious reasons to worry'' and is a ``reality check,''

Australian hedge fund Basis Capital Fund Management Ltd. yesterday said it hired Blackstone Group LP to help limit the fallout from mortgage securities, less than a week after Bear Stearns Cos. Told investors two funds linked to home loans would pay back little or no money.

July 27

Delinquencies on loans that back commercial mortgage-backed securities rose for the first time since 2003 in the second quarter, potentially a sign that real-estate problems are broadening to the commercial sector.

July 30

Commerzbank AG, Germany's second- biggest bank by assets, expects to make provisions of about 80 million euros ($109 million) for potential loan losses tied to the U.S. subprime mortgage market. The bank has invested about 1.2 billion euros in the U.S. subprime mortgage market

IKB AG, a German lender, said full-year profit will be ``significantly'' lower than previously forecast amid exposure to the rout in the U.S. subprime mortgage market.

IKB AG, the German bank that reported 10 days ago it won't be affected by ratings downgrades on U.S. subprime mortgages, replaced its chief executive officer and said profit will be ``significantly'' lower than forecast.

According to Standard and Poors, there were roughly 31 SIVs and 5 SIV-hybrids managing as much as $400 billion in investments, on July 30, 2007

July 31

IKB CAM informs you that Mr Harjan Kuiper has been appointed as co-head of its London branch and that its Director and Branch Head, Neil Ryan, has announced that he will be leaving IKB CAM for a new opportunity in Ireland.

Credit-Based Asset Servicing and Securitization LLC, a New York-based subprime loan company, said it's in talks with investors to ensure it has sufficient funds after turmoil in the market for high-risk borrowers. Mortgage insurers MGIC Investment Corp. and Radian Group Inc. yesterday said their C-Bass joint venture may be worthless, requiring more than $1 billion in writedowns.

Oddo & Cie, a French stockbroker and money manager, plans to close three funds totaling 1 billion euros ($1.37 billion), citing the ``unprecedented'' crisis in the U.S. asset-backed securities market.

The collapse in July of Bear Stearns's High-Grade Structured Credit Strategies Fund and its High-Grade Structured Credit Strategies Enhanced Leverage Fund fueled concerns about subprime securities. As investors retreated from risky credit, more than 45 companies were forced to cancel or rework bond and loan sales, according to data compiled by Bloomberg.

The two funds invested almost all of their assets in subprime mortgage-related securities. They failed when creditors demanded more collateral after the value of those securities dropped. Bear Stearns extended $1.6 billion in credit to one of the funds before seizing its assets last week. Both funds filed for bankruptcy protection yesterday, two weeks after Bear Stearns told investors they would get little if any money back.``It's uncertain when we will see the full impact'' from the subprime fallout.
Bear Stearns is now facing big losses in a third fund that has roughly $900 million in mortgage investments

Moody's described some so-called Alt A mortgages as no better than subprime home loans, saying it will change how it rates related securities after failing to predict how far delinquencies would rise.

At the beginning of 2007, we had $302 million of liquidity, representing greater than 30% of our capital of $926 million. During the first 6 months of 2007, a very tumultuous time in the subprime mortgage market, C-BASS' disciplined liquidity strategy enabled the company to meet $290 million in lender margin calls. During the first 24 days of July alone, C-BASS met an additional $260 million of margin calls, representing greater than a 20% decline in the lender's value. We believe that nothing justifies

this substantial amount of margin calls received in such a short period of time, particularly as there has been no change in the underlying fundamentals of our portfolio.

Aug 2

The market suffered another day of extreme volatility yesterday as negative credit-related news hit the market again. Bear Stearns admitted that it had halted redemptions in a third hedge fund while Macquarie Bank warned that two of its debt funds could face losses. American Home Mortgage Investment also warned that it might need to liquidate assets.

Aug 6

Bank Sal Oppenheim temporarily freezes a € 750 asset-backed credit fund.

Aug 7

IKB announced an 80 million euro ($110 million) investment in Rhinebridge Plc to ensure the solvency of the fund, which it started the 27th June. The bank said it will consolidate Rhinebridge's $2.4 billion of investments.

S&P today placed its ratings on 207 classes of securities backed by first-lien Alt-A mortgages, or loans to people with mid-range credit profiles, on "CreditWatch with negative implications."

Aug 8

IKB AG, said Volker Doberanzke resigned as chief financial officer, eight days after the chief executive officer Stefan Ortseifen left

Units of American Home Mortgage Investment Corp., the residential-mortgage lender that filed for bankruptcy, Luminent Mortgage Capital Inc., facing margin calls from lenders, and Aladdin Capital Management LLC, this week exercised an option allowing them to delay repaying the debt, Moody's said. The three issuers are probably the only ones to defer payments since extendible asset-backed commercial paper was first sold 12 years ago.

Luminent Star Funding, sponsored by San Francisco-based. Luminent. is a securities program that invested in AAA rated mortgages. Luminent this week extended its commercial paper maturities and canceled its dividend payments after bankers issued margin calls. The company today said two lenders sent default notices.

Ottimo Funding Ltd., a securities program run by Stamford, Connecticut-based Aladdin, also invested in the highest rated assets. George Marshman, a co-founder and chief investment officer of Aladdin, declined to comment.

American Home Mortgage's Broadhollow Funding LLC extended maturities on commercial paper after being unable to roll over $150 million of the debt, Moody's said. The program can be extended by 120 days, Moody's said.

Asset-backed commercial paper comprises about half, or $1.15 trillion, of the $2.16 trillion in commercial paper outstanding, with extendible notes making up about 15 percent of the asset-backed portion, or about $172.5 billion, according to Moody's.

Aug 9

S&P on Thursday placed ratings on 76 tranches from 19 U.S. cash-flow and hybrid collateralized debt obligation transactions on creditwatch with negative implications. The affected tranches have a total issuance amount of $2.16 billion.

The Bundesbank said it is hosting a meeting to discuss details of a plan to back IKB AG, the German bank facing a bailout over subprime mortgage losses.

NIBC Holding NV, a Dutch investment bank owned by a group including J.C. Flowers & Co., said it lost at least 137 million euros ($189 million) on U.S. subprime mortgage investments this year.

BNP Paribas Freezes Three Asset-Backed Funds as U.S. Subprime Losses Widen The funds had about 2 billion euros ($2.76 billion) of assets on July 27, including 700 million euros in subprime loans rated AA or higher. The Paris-based bank said today that it will stop calculating the net asset value for the funds.

WestLB admits to credit exposure. The publicly-owned Landesbank became the latest German bank to admit exposure to the US subprime mortgage market...(amid) speculation that its US asset management arm Brightwater Capital Management was facing liquidity problems.

The European Central Bank, in an unprecedented response to a sudden demand for cash from banks roiled by the subprime mortgage collapse in the U.S., loaned 94.8 billion euros ($130 billion) to assuage a credit crunch. The ECB said today it provided the largest amount ever in a single so-called ``fine-tuning'' operation, exceeding the 69.3 billion euros given on Sept. 12, 2001, the day after the terror attacks on New York.

The ECB's decision, just one week after the German government arranged the bailout of IKB Deutsche Industriebank, is confirmation that the subprime debacle isn't contained within the U.S. The U.S. Federal Reserve added $24 billion in temporary reserves to the banking system today, the most since April.

Aug 10

Goldman Sachs Group Inc.'s $8 billion Global Alpha hedge fund has fallen 26 percent so far this year, according to people familiar with the fund.

The Federal Reserve added $19 billion in temporary funds to the banking system through the purchase of mortgage-backed securities to help meet demand for cash amid a rout in bonds backed by home loans to riskier borrowers. The Fed accepted only mortgage-backed debt as collateral for this morning's weekend repurchase agreement.

Fed funds traded above the central bank's target for a second straight day. The Fed's benchmark was 6 percent the last time fed funds opened at today's level.
After the Fed addition today, Treasuries pared their gains. Stocks dropped worldwide on speculation the losses in mortgage debt will hurt economic growth and earnings.

Aug 13

Goldman Sachs says it will pump $2bn into one of its funds to help shore up its value.

Aug 14

S&P today affirmed its short-term credit ratings on the outstanding extendible ABCP notes issued by 15 U.S. ABCP conduits that exclusively finance U.S.

Aug 15

Kohlberg Kravis Roberts affiliate KKR Financial Holdings loses $40m (£20m) from mortgages. Warns of extra $200m hit. Dutch investment bank NIBC, which has €137m (£93m) in sub-prime losses, sells to Icelandic bank Kaupthing for €3bn

Aug 16

Fitch has placed all classes of 58 U.S. RMBS subprime transactions backed by pools of closed-end second-liens (CES) on Rating Watch Negative. The 58 transactions have an aggregate outstanding balance of approximately $12.1 billion.

Moody's said on Thursday that it downgraded 691 mortgage-backed securities because of "dramatically poor overall performance." These residential mortgage securities were originated in 2006 and backed by closed-end, second-lien home loans, Moody's said. The downgraded securities had an original face value of $19.4 billion, representing 76% of the dollar volume of securities rated by

Moody's in 2006 that were backed by subprime closed-end second lien loans "The actions reflect the extremely poor performance of closed-end second lien subprime mortgage loans securitized in 2006," Moody's said. "These loans are defaulting at a rate materially higher than original expectations."

Shares in the Australian mortgage lender RAMS Home Loans Group crashed 60% as the US credit squeeze left it unable to refinance $5bn in debt

Aug 17

Mainsail II Current market volatility and lack of market liquidity with respect to sub-prime lending markets have caused adverse conditions with respect to the liquidity and market risk exposures on the Company's underlying portfolio of investments.
As a result of such adverse liquidity and market conditions, a market value coverage test wind down event has occurred.

Fannie Mae, the mortgage finance giant, yesterday predicted that housing prices will decline by 2 percent on average this year and by 4 percent next year as mortgage delinquencies rise, lenders tighten borrowing standards and the volume of unsold homes approaches record levels

The Federal Reserve held a conference call with major banks to encourage them to consider borrowing from the central bank's discount window.

Fed officials know the discount window action will only be effective if banks either use it, or the knowledge of its availability, to expand their own lending to high-quality counterparties such as high quality mortgage borrowers.

The participants from the banking world included ABN AMRO; Bank of America; The Bank of New York Mellon; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; The Bear Stearns Companies Inc.; Citigroup; Deutsche Bank Group; Goldman Sachs; JP Morgan.; Lehman Brothers; Merrill Lynch; Morgan Stanley; UBS; U.S. Bank; Wachovia; and Wells Fargo.

Aug 20

Issuers of asset-backed commercial paper in Europe failed to find buyers for more than half the debt maturing today because of the U.S. subprime mortgage rout.
About $2.5 billion of asset-backed commercial paper was sold out of the $6 billion that came due. Yields on one-month asset-backed commercial paper sold by issuers rated A1, the second-highest short-term rating by S&P, have risen to between 35 and 40 basis points over the euro interbank offered rate

Capital One Financial Corp. plans to shut down its struggling GreenPoint mortgage unit. Capital One bought GreenPoint in last year's $13.2 billion purchase of North Fork Bancorp, of Melville, N.Y. North Fork had earlier paid $6.3 billion for GreenPoint Financial Corp., then a large N.Y. savings-and-loan specializing in mortgages

Deutsche Bank has borrowed funds from the "discount window".

Aug 21

Fitch placed $92.1 billion of securities backed by subprime residential mortgages ``under analysis," the first step toward a possible credit rating downgrade. The review affects 235 classes of securities, including 131 from before 2006 representing $19.4 billion of debt and 104 from last year with $72.7 billion of debt outstanding

Aug 22

Fitch may cut the credit rankings on $2.38 billion of debt sold by Rhinebridge Plc, an investment company run by IKB AG, because of the tumult in the commercial paper market. Fitch today placed Rhinebridge debt on Watch Negative Rhinebridge, which issues short-term debt to invest in longer-dated bonds, is the first SIV to face a ratings downgrade because of disruption in the $1.1 trillion commercial paper market caused by the subprime fallout. S&P today slashed rankings on $3.2 billion

debt issued by smaller so- called SIV-Lite funds of London-based Solent Capital Partners LLP and Avendis Group in Geneva by as much as 17 levels to CCC.

Golden Key's commercial paper rating was cut to B, one Stepp below investment grade, from the highest level of A-1+. Ratings on parts of Mainsail II fell by 16 steps to CCC+ from the highest grade, and its commercial paper rating dropped three steps to A- 3, the lowest short-term investment grade ranking.

Fitch placed all notes on rating watch negative as it was unclear whether continued funding support of Rhinebridge would persist, potentially leading to a forced sale of assets to meet senior liabilities as they fell due.

Lehman Brothers the biggest underwriter of U.S. bonds backed by mortgages, became the first firm on Wall Street to close its subprime-lending unit and said 1,200 employees will lose their jobs.

Citigroup, JP Morgan, Bank of America and Wachovia Corp. said on Wednesday that they borrowed $2 billion from the Federal Reserve.

Citibank said it took out a $500 million, 30-day loan from the New York Fed's discount window program for its clients. "Citibank stands ready to continue to access the discount window as client needs and market conditions warrant," the bank said in a statement.

Aug 24

The Federal Reserve Bank of New York clarified its discount window rules with the effect of enabling banks to pledge a broader range of commercial paper as collateral.

"We are comfortable taking investment-quality asset-backed commercial paper for which the pledging bank is the liquidity provider. This is a clarification of something that has become, over time, accepted practice at the Federal Reserve Bank of New York," said New York Fed spokesman Calvin Mitchell.

Several market sources however interpreted the action more as a change in, than a clarification of, policy. "Previously banks could not post such ABCP as collateral, that is ABCP for which the bank is a liquidity backstop," said Michael Feroli, economist at J.P. Morgan Chase, in a note to clients.

Aug 25

In a clear sign that the credit crunch is still affecting the nation's largest financial institutions, the Federal Reserve agreed this week to bend key banking regulations to help out Citigroup and Bank of America

The median price of American homes is expected to fall this year for the first time since federal housing agencies began keeping statistics in 1950.

Aug 26

The cabinet of the German state of Saxony approved the sale of Landesbank Sachsen Girozentrale, a public lender roiled by the global credit crunch, to Landesbank Baden-Wuerttemberg for 300 million euros ($410 million). SachsenLB, based in Leipzig, has about 3 billion euros in investments linked to subprime mortgages.

Fitch has placed Rhinebridge PLC's CP and notes on rating watch negative on 22nd August 2007
The current position of Rhinebridge PLC is as follows:
At present, we meet all tests required by the Rating Agencies. We have not drawn liquidity facilities. While there has been difficulty in raising CP, we have had support up until now from IKB AG

Aug 27

US consumers are defaulting on credit-card payments at a significantly higher rate than last year ...

Credit-card companies were forced to write off 4.58 per cent of payments as uncollectable in the first half of 2007, almost 30 per cent higher year-on-year. Late payments also rose, and the quarterly payment rate ... fell for the first time in more than four years.

Aug 28

Rhinebridge Plc, a debt fund managed by IKB Deutsche Industriebank, sold $176 million of assets to raise cash and said it doesn't expect support from the German bank.
Asset prices continue to weaken based on the fact that there are mainly sellers, in many cases, forced sellers, Rhinebridge said today in a statement

U.S. home prices fell 3.2 percent in the second quarter, the steepest rate of decline since S&P began its nationwide housing index in 1987, the research group said Tuesday.

Aug 29

The Australian Hedge Fund, Basis Capital's "Basis Yield Alpha Fund" applied for bankruptcy protection. Investors in the fund are unlikely to get any of their money back as the fund falls under the weight of its exposure to subprime credit in the US

It's not just sub-prime borrowers who are having trouble getting affordable home loans.

Because mortgage investors stung by growing defaults in the sub-prime sector are shunning all but the most traditional loans, creditworthy borrowers are getting hammered if they want mortgages with payment options or the "jumbo" loans used routinely in Southern California and other high-priced home markets.

In a research note today (no public link), GS forecast house prices to decline 7% in 2007, and another 7% in 2008 (based on the Case-Shiller index).

Aug 30

The credit market is experiencing an unprecedented loss of confidence due to the lack of transparency over where exposures lie rather than underlying credit quality problems, Moody's President Brian Clarkson said on Thursday.

"I've been in the marketplace for 20 years what we're experiencing is an extreme lack of confidence and lack of liquidity. I have never seen this before," Clarkson told Reuters in an interview. "A lot of it has to do with transparency: it's not clear who owns what."

Outstanding commercial paper in the U.S. financial system dropped sharply for a third straight week, indicating that a severe credit crunch has not eased in the market that supplies most large companies with operating funds.

Outstanding paper fell by $62.8 billion, or 3.1%, in the week ending Wednesday to $1.98 trillion, bringing the total decline in the past three weeks to $244 billion, or 11%, the Federal Reserve reported Wednesday

Aug 31

Fitch downgraded the following notes of Rhinebridge: mezzanine capital notes to 'B' (RWN) from 'A' (RWN). The rating action reflected the increasing uncertainty of Rhinebridge's inability to access the CP market and losses realised upon the sale of assets.

Sept 3

Barclays Capital bails out a $1.6bn (£800m) Cairn Capital hedge fund

Sept 5

Moody's has taken the following rating actions:

Axon Financial Funding Ltd. and Axon Financial Funding LLC
Moody's rating action reflects the deterioration of the market value of Axon Financial Funding's portfolio and the potential impact of crystallised losses following asset sales.

Cheyne Finance PLC and Cheyne Finance LLC

Cheyne Finance's portfolio has an RMBS exposure of 48%. Moody's rating action reflects the deterioration of the market value of Cheyne Finance's portfolio and the potential impact of crystallised losses following asset sales. The rating action also reflects the breach of a trigger which resulted in Cheyne Finance entering an irreversible wind-down mode.

Harrier Finance Funding Limited and Harrier Finance Funding (US) LLC
Moody's rating action reflects the deterioration of the market value of Harrier Finance's portfolio and the potential impact of crystallised losses following asset sales.

Kestrel Funding PLC
Kestrel Funding has breached a trigger which caused it to enter into a restricted operations mode; among other consequences, this means that the vehicle cannot purchase further assets.
Moody's rating action reflects the deterioration of the market value of Kestrel Funding's portfolio, rating migration in the portfolio and the potential impact of crystallised losses following asset sales.

Rhinebridge PLC and Rhinebridge LLC
placed on review for possible downgrade the Aaa ratings of the Senior Capital Notes; - placed on review for possible downgrade the A3 ratings of the Mezzanine Capital Notes; - placed on review for possible downgrade the Baa2 ratings of the Combination Notes. Moody's rating action reflects the deterioration of the market value of Rhinebridge's portfolio and the potential impact of crystallised losses following asset sales.

Victoria Finance Ltd. and Victoria Finance LLC
Moody's has placed on review for possible downgrade the Baa2 rating of the Capital Notes. Moody's rating action reflects the deterioration of the market value of Victoria Finance's portfolio and the potential impact of crystallised losses following asset sales.

Sept 6

Victoria Finance Limited/LLC has announced that it will be liquidating. It has about $13.6 billion in assets of which about 19.10% (~$2.5 billion) are CDO/CLOs while around 15.5% (~$2.1 billion) are RMBS assets. Almost 94% of these assets are U.S. assets.

Sept 7

Rhinebridge entered a Restricted Investment state due to a breach of the NCO liquidity test. The change of operating state now prevented Rhinebridge from increasing the risk with the portfolio by purchasing assets.

Sept 10

Fitch downgraded the following notes of Rhinebridge:
senior notes to 'BBB-'/'F3' (RWN) from 'AAA'/'F1+' (RWN)
senior capital notes to 'B' (RWN) from 'AAA' (RWN)
combo capital notes to 'CCC-' (RWN) from 'BBB' (RWN)
Mezzanine capital notes to 'CCC-' (RWN) from 'B' (RWN).
The rating actions reflected the increased likelihood of Rhinebridge entering enforcement, market losses that have materialised within the vehicle and the inability to access the CP market.

Sept 11

Rhinebridge, which yesterday tapped emergency funding lines to repay debt, had its short-term rating lowered to F3, the lowest investment-grade ranking, from the highest F1+ grade, according to a Fitch statement. The company hasn't been able to sell commercial paper to finance borrowings

Landesbank Baden-Wurttemberg ("LBBW") will provide the Interim Financing to LB Sachsen Funding
* the Portfolio consists of approximately 74 high grade US RMBS securities having a notional value of approximately US$2,253 million;
* approximately 99.69% of the notional value of the Portfolio is rated Aaa by Moody's and approximately 95.96% of the notional value of the Portfolio is rated AAA by S&P; no asset in the Portfolio is rated lower than AA/Aa by either rating agency;
* approximately 97.62% of the notional value of the Portfolio is denominated in US Dollars
* the average obligor exposure of the Investments in the Portfolio is approximately $30 million; and

* the Weighted Average Spread of the Investments in the Portfolio is approximately 30 basis points per annum.

Sep 10

"Our current thinking is that the downturn, currently two years in the making, will last until 2009, with any sector recovery likely to be sluggish for some time after that," said Joseph Snider, senior credit officer at Moody's.

Washington Mutual said today that conditions in the housing market are creating a 'near-perfect storm' ``The combination of rising delinquencies, higher foreclosures, more housing inventories, increasing interest rates on many mortgages and greatly reduced availability of mortgages due to limited liquidity is creating what we call a near-perfect storm for housing," Chief Executive Officer Kerry Killinger said.

Sept 13

Rhinebridge breached its minor capital adequacy test as its NAV of capital fell below 70%. Northern Rock applied to the Bank of England for emergency funds caused by liquidity problems

Addressing liquidity and funding needs by accelerating our plans to migrate the funding of our mortgage originations to Countrywide Bank, and our borrowing of $11.5 billion under our lines of credit. Additionally, the Company recently arranged for $12 billion in additional secured borrowing capacity through new or existing credit facilities.

Sept 14

Rhinebridge entered Restricted Funding, preventing its from issuing any senior funding, due to a 5 day breach of the NCO liquidity test.

Sep 13

According to the BBC and the Financial Times newspaper, Britain's fifth-biggest mortgage lender has struggled with lending since a credit market squeeze over the summer after concern sparked by uncertainty in the US subprime mortgage sector.

Sep 16

US house prices are likely to fall significantly from their present levels, Alan Greenspan has told the Financial Times, admitting that there was a bubble in the US housing market.

Sep 17

Bank of America Corp., the second- biggest U.S. bank, said ``unprecedented dislocations'' in credit markets will have a ``meaningful impact'' on third-quarter results at its corporate and investment bank.

Sep 18

The Federal Open Market Committee decided today to lower its target for the federal funds rate 50 basis points to 4-3/4 percent

David Rosenberg, chief economist at Merrill Lynch, said it was hard to combat a deflating credit and asset bubble. He said that while markets soared when the Fed cut rates by 50 basis points in January 2001, they soon fell back.

Nearly a quarter of a million foreclosure filings were reported in August, up 115% from a year ago and up 36% from July. Each home in foreclosure can have multiple filings as it moves from default status to bank repossession

Sep 19

The consortium that had agreed to buy Sallie Mae for $25 billion plans to return to the negotiating table and seek a lower price.

The buyers — the private equity firms J. C. Flowers & Company and Friedman Fleischer & Lowe, as well as two banks, JPMorgan Chase and Bank of America — met Tuesday to discuss the best way to pressure Sallie Mae into accepting a lower price, these people said.

Nationally, Moody's is projecting an average price decline of 7.7 percent. That's a jump from the 6.6 percent total price drop that the company was forecasting in June and more than twice that of last October's forecast of a 3.6 percent price decrease.

Sep 20

With the ongoing concerns about the subprime mortgage market, both Fannie Mae and Freddie Mac have announced commitments to purchase tens of billions of dollars of subprime mortgages over the next several years. The portfolio cap flexibility plus their ongoing ability to securitize mortgages, sell assets, and replace maturing assets, will enhance each Enterprise's ability to purchase or securitize, over the next six months up to $20 billion or more of subprime mortgages, refinanced mortgages for borrowers with lower credit scores, and affordable multi-family housing mortgages. These efforts should assist lenders in helping some subprime borrowers avoid foreclosure.

Sep 21

HSBC PLC will close its standalone U.S. subprime-mortgage business and take $945 million in related charges. The London banking giant will close Decision One Mortgage, which originates nonprime mortgages through brokers. Instead, the company will focus on loan origination and servicing through its HFC and Beneficial bank branches. Approximately 750 people will lose their jobs

Sep 22

The U.K. government may guarantee as much as 100,000 pounds ($202,000) of people's bank deposits as it seeks to avoid a repeat of the run on Northern Rock Plc, Chancellor of the Exchequer Alistair Darling said.

Sep 23

"Economists tend to think people are crazy because they won't sell their houses for less than they paid for them — and people think economists are crazy for thinking things exactly like that."
Professor Christopher Mayer, director of the Paul Milstein Center for Real Estate at Columbia Business School

Sep 24

Wolseley, the plumbing and heating engineer, which makes half its income in America, gave warning today that revenues of its US building materials business have collapsed by almost 75 per cent.

Sep 25

Bond insurers, including those owned by AMBAC Financial Group Inc. and FGIC Corp., may need to raise capital to maintain their top credit ratings if losses worsen on subprime mortgage securities, Moody's said.

Under what Moody's called its most stressful scenario, losses on securities backed by subprime mortgages could reach 14 percent, causing AMBAC, FGIC, Security Capital Assurance Ltd. and CIFG Assurance North America Inc. to fall short of the capital needed to keep their Aaa ratings. The most likely source of losses would be from guarantees on collateralized debt obligations, which may be backed by subprime mortgage securities. The stress test is higher than Moody's expected loss rate of 10 percent under which the guarantors experience no material losses.

The decline in U.S. home prices accelerated nationwide in July, posting the steepest drop in 16 years, according to the S&P/Case-Shiller home price index released Tuesday. Home prices have fallen by more every month since the beginning of the year. An index of 10 U.S. cities fell 4.5 percent in July from a year ago. That was the biggest drop since July 1991.

Total existing-home sales – including single-family, townhomes, condominiums and co-ops – were down 4.3 percent to a seasonally adjusted annual rate1 of 5.50 million units in August from a level of 5.75 million in July, and are 12.8 percent below the 6.31 million-unit pace in August 2006

Sep 26

Late payments and defaults among subprime mortgages packaged into bonds rose last month ...

After August payments, 19.1 percent of loan balances in 20 deals from the second half of 2005 were at least 60 days late, in foreclosure, subject to borrower bankruptcy or backed by seized property, up from 17.5 percent a month earlier, according to a report yesterday from Wachovia Corp.

Prepayment speeds for the loans slowed, suggesting it's more difficult for borrowers to sell their homes or refinance, according to another report by New York-based analysts at UBS AG. Record levels of delinquencies and defaults on subprime mortgages are worsening as home prices decline and interest rates on loans adjust higher for the first time. As lenders tighten standards, borrowers are finding it harder to refinance into new mortgages with lower payments.

Sep 27

September 27 (Bloomberg) -- Fannie Mae Chief Executive Officer Daniel Mudd talks with Bloomberg's Peter Cook in Washington about the state of the U.S. housing market, the prospects for raising Fannie's mortgage portfolio cap and the outlook for legislation to create a new regulator for the government-sponsored enterprises. Mudd, whose government-chartered company is the largest provider of money for U.S. home loans, said the housing slump will last beyond next year

Oct 1

UBS AG says it will write down $3.4 billion in its fixed-income portfolio and elsewhere, and record its first quarterly loss in nine years. Citigroup says it is expecting a fall of about 60 pct in third-quarter net income. Separately, Credit Suisse also says its third-quarter results would be "adversely affected

The September remittance reports revealed that conditions in the mortgage market are worsening, although the rate of credit performance dislocation is mostly slowing, according to a UBS report.

Citigroup said Monday it expects ... huge write-downs for unsold debt it issued to finance corporate takeovers and for big losses on the value of subprime mortgage-backed securities.
The decline "was driven primarily by weak performance in fixed-income credit-market activities, write-downs in leveraged loan commitments, and increases in consumer-credit costs," Chairman and Chief Executive Charles Prince said in a statement.

Earlier Monday, Swiss banking giant UBS said it will take a hit of 4 billion Swiss francs ($3.4 billion) in the third quarter from its subprime mortgage exposure and plans sweeping management changes and job cuts at its investment-banking division.

Citi sees a write-down of $1.4 billion pretax, net of underwriting fees, on funded and unfunded loans for clients doing leveraged buyouts. Citi also cut the value of its mortgage-related positions, as rival Wall Street investment banks did last month.

Oct 4

Subprime mortgage bonds created in the first half of 2007 contain loans that are going delinquent at the fastest rate ever, according to Moody's.

The average rate of "serious loan delinquencies" in the bonds has been higher than 2006 bonds
"It is shocking what you see," said Kyle Bass of Hayman Advisors LP, a Dallas-based hedge fund that reported a 400 percent return on its bet the U.S. housing market would fall. "Anything securitized in 2007 has got to have the worst collateral performance of any trust I've seen in my life."

Oct 3

Fitch Downgrades $18.4 Billion of 2006 Subprime Bonds. For first- and second-lien transactions combined, Fitch has affirmed 2,228 classes with a par balance of $155.1 billion and downgraded

1,003 classes with a par balance of $18.4 billion. While Fitch's reviewed all rating categories, downgrades were most heavily concentrated among classes originally rated 'BBB+' or lower. Fitch believes that those classes that have been downgraded to below-investment grade have substantial risk of principal loss.
Fitch rated 51.3 percent of all subprime mortgage bonds in 2006 compared with more than 96 percent each for Moody's and S&P

Oct 5

Washington Mutual said that it would take a US$820 million write down in its loans and securities

Merrill Lynch & Co.'s announcement Friday that it would take a $5.5 billion hit to third-quarter earnings is exposing the weak oversight exercised by top Merrill executives as it became a big force in the mortgage-securities business.
The company expects to report a net loss per diluted share ... resulting from significant negative mark-to-market adjustments to its positions in two specific asset classes: collateralized debt obligations (CDOs) and sub-prime mortgages; and leveraged finance commitments.
Write-downs of an estimated $4.5 billion, net of hedges, related to incremental third quarter market impact on the value of CDOs and sub-prime mortgages. These valuation adjustments reflect in part significant dislocations in the highest-rated tranches of these securities which were affected by an unprecedented move in credit spreads and a lack of market liquidity in these securities, which intensified during the third quarter. During the quarter, the company significantly reduced its overall exposure to these asset classes.

Outstanding U.S. consumer debt rose at an annual rate of 5.9% in August, pushed higher mostly by a hefty gain in credit-card debt, the Federal Reserve reported Friday.

Oct 11

Rhinebridge PLC (the "Issuer") breached the Major Capital Loss Test, as described in the Management Agreement dated 27 June 2007. Breach of the Major Capital Loss Test is a Restricted Funding Event although since the Issuer was already in Restricted Funding, this breach does not trigger any further consequences at this time.

The Issuer will continue to comply with the Restricted Funding Procedures set out in the Management Agreement and the defeasance strategy agreed with the Rating Agencies.
In the event that breach of the Major Capital Loss Test is not remedied after a five business day cure period, the Issuer will enter enforcement.

Moody's said on Thursday that it cut ratings on $33.4 billion of securities backed by subprime residential mortgages because the underlying home loans are steadily deteriorating in the face of falling home prices and a tight lending environment. The downgraded securities are backed by subprime first-lien mortgages originated in 2006 and represent 7.8% of the original dollar volume of securities that Moody's rated from that year. A further $3.8 billion may be downgraded later. Moody's also said that another $23.8 billion of first-lien residential mortgage-backed securities were put on review for possible downgrades

Oct 12

Rhinebridge Plc, a structured investment vehicle run by IKB AG, lost 50 percent of net asset value as investors refused to buy ist short-term debt.
Rhinebridge, which borrows to buy longer-dated securities, breached a ``major capital loss test," the company said today.

U.S. retail sales climbed vigorously in September, rising at double the rate expected despite weak demand for housing-related goods as consumers spent strongly on cars.

U.S. wholesale prices rebounded last month, fueled by gains in the cost of food and energy, while pipeline pressures intensified modestly, a government report showed. Still, core inflation was lower than expected, so the report alone won't dissuade the Federal Reserve from lowering rates again when it meets later this month.

EXHIBIT F

ABX index of RMBS Securities Issued During the First Half of 2006

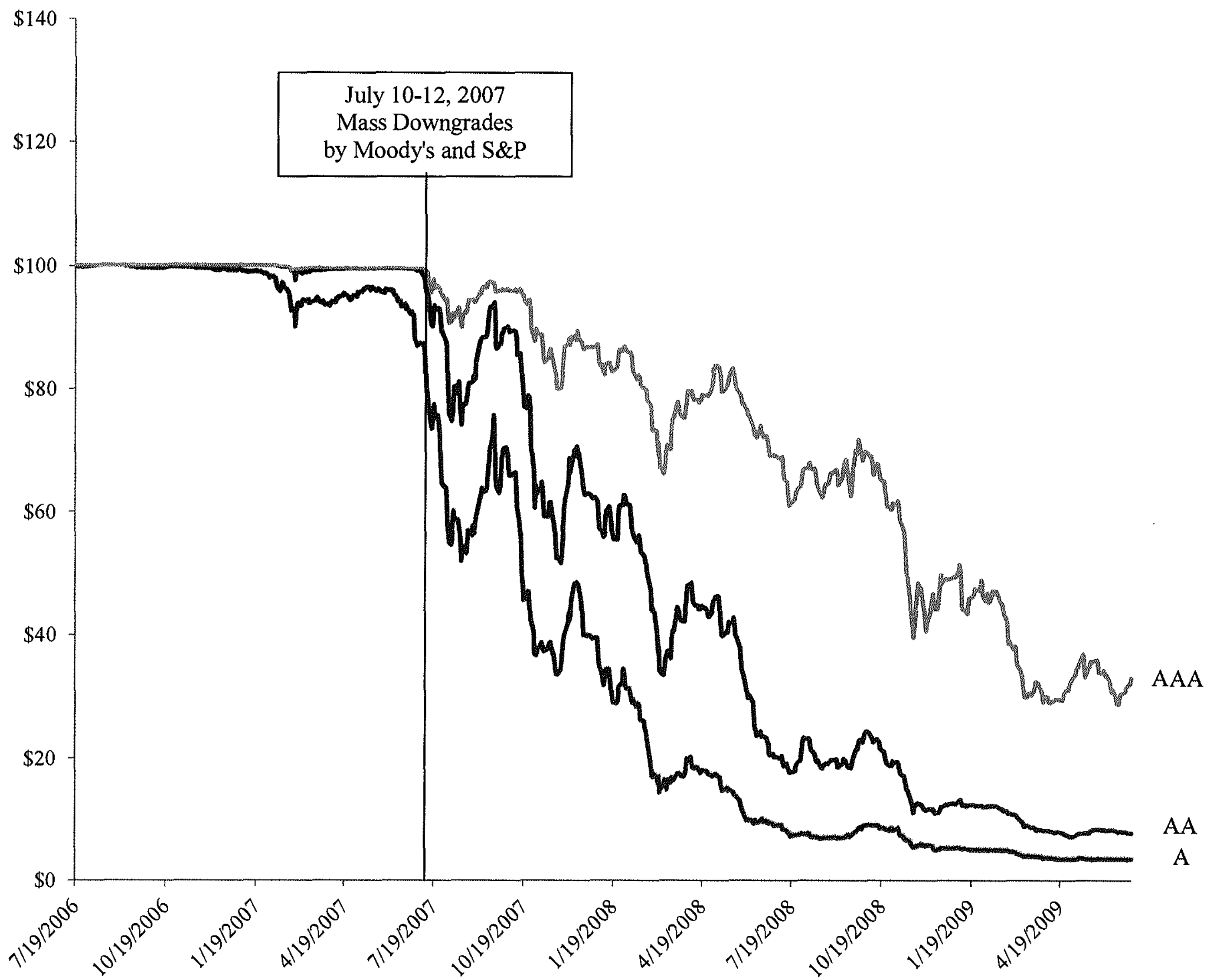

EXHIBIT G

Rhinebridge Plc IKB Credit Asset Management

Quarterly Investor Report

August 2007

General Comment

The drivers of the volatility remain sub-prime concerns in the US, the unravelling of the Bear Steams funds, LBO refinancing concerns and rating agency announcements. This combined with an extreme and unprecedented reduction in liquidity, we detect that the market mood is becoming not only gloomy but fatalistic. The rising global risk premium is being triggered by reduced liquidity and will lead to fundamental concerns about the stability of global economies.

Our perception is that the market is completely overwhelmed by the magnitude, and particularly the speed, of the current slide. The Fixed Income markets appear to be starting to understand only now that the days of free-flowing liquidity are likely to be behind us.

We find that market sentiment is still very negative on both sides of the Atlantic. In Europe this week sentiment continued to push primary spreads wider. We find that some of the senior tranches of European RMBS and CMBS look compelling from an investment perspective, but we are concerned about further spread deterioration. Since timing the bottom is tough, we suggest to wait for more clarity before adding assets and be prepared for mark-to-market volatility on these positions.

We see a causal link between the impact of the rating actions and the recent liquidity issues as a result of which much of the new issue pipeline has dried up and almost no new deals are pricing in the ABS CDO space.

We continue to monitor and are prepared to take appropriate action when the market circumstances in our view allow for such measures.

New capital investment and personnel changes

IKB AG decided to invest €80m (US$110m) by way of Junior Capital Notes (JCN) in Rhinebridge Plc Plc The proceeds of the Note were received on 9th August. As a result of this investment, under accounting rules, IKB AG will now have to consolidate Rhinebridge Plc onto its balance sheet since IKB AG holds the majority of the outstanding Capital Notes. The JCN investment is a pro-active measure and designed to add stability rather than as a platform for growth *.

This brings the JCN to $140m and total capitalisation in the vehicle to $390m. The leverage is currently 6.2 times. This leverage value is calculated on a factored notional portfolio amount of $2.43bn.

On August the 9th Moody's affirmed the current rating of P-1 currently assigned to the US and Euro Commercial Paper Programmes and the ratings of P-1 and Aaa assigned to the MTN Programme of Rhinebridge Plc and Rhinebridge LLC, taking into account current market valuations of the asset portfolio and the addition of further Junior Capital Notes to the vehicle.

IKB CAM GmbH also announced that Mr Harjan Kuiper has been appointed as co-head of its London branch and that its Director and Branch Head, Neil Ryan, has announced that he will be leaving IKB CAM GmbH for a new opportunity in Ireland. Mr Kuiper has been a Director and Senior Portfolio Manager at IKB CAM GmbH, London branch, since May of this year having joined from Rabobank. Mr Ryan has agreed to stay on as co-head with Mr. Kuiper until the end of September in order to ensure a smooth handover to his successor.

IKB CAM GmbH also reports that its CEO, Winfried Reinke has announced his resignation from his position with immediate effect. Winfried Reinke, based in Düsseldorf, was head of IKB CAM GmbH since September 2006 and the Co-Head of Treasury and Financial Markets at IKB AG since 1996 until March 2007.

* The full press release can be found on IKB AG's website :

http://www.ikb.de/content/en/press/press_releases/2007/070802_Adhoc.jsp

Rating actions

S&P rating actions due to sub-prime

S&P reviewed 612 US sub-prime RMBS bonds totalling to $7.35bn which totals 1.3% of all U.S. sub-prime deals rated by S&P, downgrade of 498 classes backed by sub-prime credit quality mortgages, 46 tranches on watch negative. 93 tranches of 75 U.S. CDOs have been downgraded as they are backed by sub-prime debt.

None of the assets held in Rhinebridge Plc's portfolio have been downgraded or placed on negative watch as a result of the above rating actions of S&P

Moody's rating actions on sub-prime

Negative rating actions on 421 sub-prime RMBS bonds originated in 2006, original face value $5.32bn, 399 bonds downgraded, 32 with negative watch additionally, 127 rating actions on sub-prime RMBS deals originated in 2005, 52 downgrades ($393m) 184 tranches of 91 CDOs backed by sub-prime RMBS on review for possible downgrade these 184 CDO tranches amount to $5bn (this is 0.5% of Moody's rated ABS/ CDO transactions)

None of the assets held in Rhinebridge Plc's portfolio have been downgraded or placed on negative watch as a result of the above rating news of Moody's

Fitch rating actions due to sub-prime

Fitch identified 170 U.S. sub-prime that require further analysis, sub-prime bonds likely for downgrade total $7.1bn, which represents 1.7% of Fitch rated sub-prime bonds. Fitch has 67 classes of 35 CDOs on rating watch negative, totalling $1.4bn, representing 0.8% of Fitch rated U.S. CDO volumes at present: 75 issues reviewed, 721 classes affirmed ($58bn), 389 classes downgraded ($7bn).

None of the assets in Rhinebridge Plc's portfolio are downgraded by Fitch. For issues that are placed under review by Fitch, Fitch did not identify the individual classes therefore placed the whole structure on review, generally rating actions are expected in the lower part of the capital structure. Rhinebridge Plc is exposed to senior classes in the capital structure for three issues that are placed under review.

Portfolio trading activities

Over the reporting period (27th June 2007 – 13th August 2007) Rhinebridge Plc sold a total of $25m :

Sherwood III CDO	Rhinebridge Plc sold a $10m AAA/Aaa position in Sherwood III CDO. The lower tranches of Sherwood were recently placed on negative watch by Moody's. We sold this asset resulting in a loss of $148k although the price we sold the assets was the same as the MtM in the system. Rhinebridge Plc's exposure to CDO's is $396m after this sale.
WMHE 2007-HE1 2A3	The second asset is a Washington Mutual Bank US RMBS mid-prime asset that has been sold resulting in a loss of $35k, once again at the price that the asset has been marked in the system.

We will continue to carry out our own analysis of names to identify those assets we regard as fair value. In our analysis, we never rely solely on the opinion of the rating agencies.